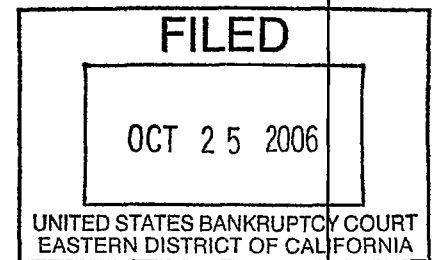


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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
SACRAMENTO DIVISION

In re)	Case No. 05-20041-A-11
RUSS TRANSMISSION, INC.,)	Docket Control No. WFH-3
)	Sept. 26 & 27 and Oct. 5,
Debtor.)	2006

FINDINGS OF FACT AND CONCLUSIONS OF LAW

On September 26, 2006, September 27, 2006, and October 5, 2006, the court held evidentiary hearings on the objection of Kirk Nelson to the administrative claim of Kevin Nelson.

Daniel L. Egan and Megan A. Lewis of Wilke, Fleury, Hoffelt, Gould & Birney, LLP, appeared for creditor and objecting party, Kirk Nelson; Thomas Phinney of Parkinson & Phinney appeared for administrative claimant, Kevin Nelson; and Thomas Willoughby of Felderstein, Fitzgerald, Pascuzzi & Willoughby appeared for the chapter 11 trustee, Hank Spacone.

Based on the evidence presented, and pursuant to Federal Rules of Bankruptcy Procedure 7052 and 9014, the court finds and concludes as announced orally and on the record as well as is set forth below:

1. On January 3, 2005, the debtor, Russ Transmission, Inc., filed a voluntary chapter 11 petition. A trustee was thereafter appointed pursuant to 11 U.S.C. § 1104(a)(2) on or about February 18, 2005.

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1 2. The objection is a contested matter over which this
2 court has subject matter jurisdiction. See 28 U.S.C. § 1334(b).
3 It is a core proceeding. See 28 U.S.C. § 157(b)(2)(A), (B), &
4 (O).

5 3. The objection to the administrative claim and notice of
6 the hearing on the objection, as well as notice of the deadline
7 for a response to the objection, were duly served on all required
8 and necessary parties, including Kevin Nelson and his attorney.

9 4. On September 7, 2005, the court approved a compromise
10 between the debtor and Kevin Nelson relating to the debtor's
11 former property located on Hedge Avenue. Under the compromise,
12 debtor agreed to waive its rights to seek to avoid the transfer
13 of the Hedge Avenue property to Kevin Nelson. In exchange, Kevin
14 Nelson agreed to sell the property and loan the net proceeds of
15 the property to the debtor. The debtor agreed to repay the loan
16 after all other claims and expenses had been paid in full.

17 5. Kevin Nelson sold the Hedge Avenue Property to the
18 debtor and loaned the net proceeds, in the amount of \$792,397, to
19 the debtor.

20 6. It is likely that the debtor will have sufficient net
21 assets to repay the loan to Kevin Nelson after all other claims
22 and expenses have been paid in full.

23 7. On December 5, 2005, debtor obtained a judgment against
24 Mayhew Industrial Park Partners, a general partnership.

25 8. Kevin Nelson is, and at all relevant times was, a
26 general partner of Mayhew Industrial Park Partners.

27 9. On June 6, 2006, Kirk Nelson filed an objection to the
28 administrative claim. The objection asserted a defense to the

1 payment of the administrative claim based an offset arising from
2 the December 5, 2005 judgment against Mayhew Industrial Park
3 Partners.

4 10. On June 6, 2006, Kirk Nelson also filed an objection to
5 the pre-petition claim filed by Kevin Nelson. As part of the
6 objection, and as alternate pleading, Kirk Nelson asserted the
7 Mayhew Industrial Park Partners judgment as a defense to payment
8 of Kevin Nelson's pre-petition claim.

9 11. The court has applied the Mayhew Industrial Park
10 Partners judgment as a defense to the pre-petition claim asserted
11 by Kevin Nelson. As a result, it is not available as a defense
12 to the administrative claim of Kevin Nelson.

13 A separate order will be entered overruling the objection.

14 Dated: *25 Oct. 2006*

15 By the Court

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17 _____
18 Michael S. McManus, Chief Judge
19 United States Bankruptcy Court
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CERTIFICATE OF MAILING

I, Susan C. Cox, in the performance of my duties as a judicial assistant to the Honorable Michael S. McManus, mailed by ordinary mail to each of the parties named below a true copy of the attached document.

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Dated: October 26, 2006

Susan C. Cox
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Judicial Assistant to Judge McManus